MULTIMEDIA UNIVERSITY STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DMG5014 – MANAGEMENT ACCOUNTING 1

(All sections / Groups)

14 OCTOBER 2019
9.00 A.M. – 12.00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 5 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Baiduri Manufacturing has provided the following data for the month of September 2019:

Inventories	**1 September**	**30 September**
Raw materials	RM20,000	RM16,000
Work in process	RM15,000	RM18,000
Finished goods	RM30,000	RM24,000

Additional data:	
Sales revenue	RM180,000
Sales return and allowance	RM4,000
Raw material purchases	RM22,000
Selling expenses	RM35,000
Direct labour costs	RM14,000
Administrative expenses	RM30,000
Manufacturing overhead costs	RM18,000

Required

(a) A manufacturing company makes the products that it sells. Briefly identify and define the cost elements that are incurred in making a product. (3 marks)

(b) Calculate the following items, show workings where necessary.

(i) Cost of raw material available for use in production. (1.5 marks)
(ii) Cost of raw material used in production. (1.5 marks)
(iii) Total manufacturing costs. (2 marks)
(iv) Cost of goods manufactured. (2 marks)
(v) Total inventories brought forward to 1 October 2019. (2 marks)

(c) Prepare an Income Statement for the month ended 30 September 2019. (8 marks)

(Total: 20 marks)

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QUESTION 2

Pista Company uses a job order cost system and assigns overhead cost to jobs using the predetermined overhead rate of RM20 per direct labour hour. On 1 April, the company had only one job (Job 121) in process. The job has been charged with the amount of RM6,000 direct materials, RM9,000 direct labour, and RM15,000 of manufacturing overhead costs.

During April, the company continues to finish the current job and started a new job (Job 123). The activity was recorded:

Raw materials (all are direct):	
Beginning balance	RM5,000
Purchased during the month (all on accounts)	RM60,000
Used in production (30% for Job 121 and 70% for Job 123)	RM52,000
Labour:	
Direct labour hours worked during the month (40% for Job 121 and 60% for Job 123)	2,000 hours
Direct labour rate per hour	RM12
Actual manufacturing overhead incurred	RM39,000

At the end of April, the company has completed Job 121.

Required

(a) Briefly explain job order cost system. (3 marks)

(b) Calculate the following costs. Show all workings.
- (i) Manufacturing overhead cost applied to each job. (3 marks)
- (ii) Total manufacturing costs for completed job. (5 marks)

(c) Prepare summary journal entries to record the assignment of manufacturing costs.
- (i) Raw material used in production. (1 mark)
- (ii) Factory labour used in production. (1 mark)
- (iii) Manufacturing overhead applied to the jobs. (1 mark)
- (iv) The completion of Job 121. (1 mark)

(d) Calculate the balance in raw material inventory account and work in process account on 30 April. Show workings where necessary. (5 marks)

(Total: 20 marks)

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QUESTION 3

Britz Foods Sdn. Bhd. has two production departments; Mixing and Bottling. In Mixing Department, all materials are added at the beginning of the process. Conversion costs are incurred uniformly during the process.

The manufacturing overhead is assigned to production department at the rate of RM7 per machine hour. In March, Mixing Department used 12,000 machine hours. The company uses the weighted-average method to compute equivalents units.

The Mixing Department has the following cost and production data for March 2019.

Manufacturing costs			**Production data**	
Beginning work in process:			Beginning work in process	14,000
Material	RM17,600		(20% complete)	
Conversion costs	13,600	RM31,200	Units started in current month	50,000
Materials		200,000	Units transferred out to Bottling	?
Labour		62,000	Ending work in process	10,000
Overhead		?	(30% complete)	

Required

(a) Compute the physical units transferred out to Bottling Department. (2 marks)

(b) Compute equivalent units of production for material and conversion costs. (3.5 marks)

(c) Compute unit costs of production for the month. (6.5 marks)

(d) Determine the costs to be assigned to the units transferred out and ending work in process. (2 marks)

(e) Prepare journal entries in March for Mixing Department to record:
   (i) Manufacturing costs assigned to work in process. (3 marks)
   (ii) Costs of goods transferred out. (1 mark)

(f) State **TWO (2)** similarities between job order cost and process cost system. (2 marks)

(Total: 20 marks)

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QUESTION 4

Part A

Belly Manufacturing Sdn. Bhd. provides you with the following financial information for the year ended 30 June 2019.

Sales revenue	RM2,400,000
Cost of goods sold	1,100,000
Administration costs	320,000
Selling costs	480,000
Net operating income	500,000

The company incurred manufacturing overhead costs of RM260,000 for the year and 80% of this cost is fixed. The salespersons' commissions amounted to 5% of the revenue is included in the total selling costs for the year. 70% of administration costs is fixed.

Required

Prepare an income statement for the year in the contribution margin format, assuming that the company began and ended the year with zero inventories of any kind. (6 marks)

Part B

King Company manufactures smart health watch. During the first year, King Company sold 20,000 units of smart health watch at an average price of RM200 per unit. King's variable cost is RM90 and its annual fixed costs are RM1,650,000.

Required

(a) What is King's contribution margin ratio? (2 marks)

(b) How many units does King Company need to sell to breakeven? (2 marks)

(c) What is King's margin of safety ratio for current year? (2 marks)

(d) How much revenue does the company need to generate to earn a profit of RM880,000 next year? (2 marks)

(e) The sales manager was given two options to improve profit of the company as below:
Option 1: Reduce the price by 8%. This will increase unit sales by 30%.
Option 2: Reduce variable costs by 6%. This will increase unit sales by 20%.

Advise the sales manager on which option that will give the best result in improving the company's profit. Show necessary workings to support your decision. (6 marks)

(Total: 20 marks)

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QUESTION 5

The following information is related to Gligy Company for year 2019 (first year of operation).

Beginning Finished goods inventory in units	-0-
Units produced	35,000
Units sold	32,000
Selling price per unit	RM30.60
Variable costs per unit:	
Direct material	RM6.00
Direct labour	3.40
Variable overhead	2.50
Variable selling	4.00
Fixed costs per year:	
Fixed overhead	RM112,000
Fixed selling and administrative	24,600

Required

(a) Calculate the unit product cost using:
   (i) Variable-costing approach. (2 marks)
   (ii) Absorption-costing approach. (3 marks)

(b) Based on the production and sales relationship, determine which approach will produce higher income. (1 mark)

(c) Without preparing an income statement, what is the difference between variable-costing income and absorption costing income? (2 marks)

(d) Prepare an income statement for the year 2019 using:
   (i) Variable-costing approach. (6 marks)
   (ii) Absorption-costing approach. (5 marks)

(e) What is the amount used to report the cost of ending finished goods inventory to external parties? Why? (1 mark)

(Total: 20 marks)

End of Paper